June 19, 2017

PLS A&D TRANSACTIONS

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SAMPLE REPORT

PLS TD Report:
EQT Consolidates Marcellus via $8.2 B merger with Rice Energy

Here's the deal–

- **EQT (NYSE: EQT)** is acquiring fellow Appalachian producer **Rice Energy (NYSE: RICE)**.
- Focused on Southwest Pennsylvania and Eastern Ohio.
- 1.3 Bcfe/d current Rice volumes; previously targeting Y/E 2017 exit of 1.6 Bcfe/d.
- 3.7 Tcfe YE16 proved reserves in Appalachia (51% PD).
- 252,000 net acres (187,000 net acres of PA Marcellus & 65,000 net acres OH Utica).
- 2,320 drilling locations (980 Marcellus, 910 Utica & 430 Upper Devonian).
- Most lands contiguous with existing EQT leasehold, extending lateral lengths.
- Utica gathering system with 166,000 net dedicated acres (70% third party).
- EQT also getting 28% of Rice Midstream LP units & 92% of incentive distribution rights.
- No mention of Rice's Barnett assets which had been on the market through **BMO**.

Advisors–

- **Citigroup** advised EQT and **Wachtell, Lipton, Rosen & Katz** provided legal advice.
- Barclays acted as Rice's financial advisor and **Vinson & Elkins** as its legal advisor.

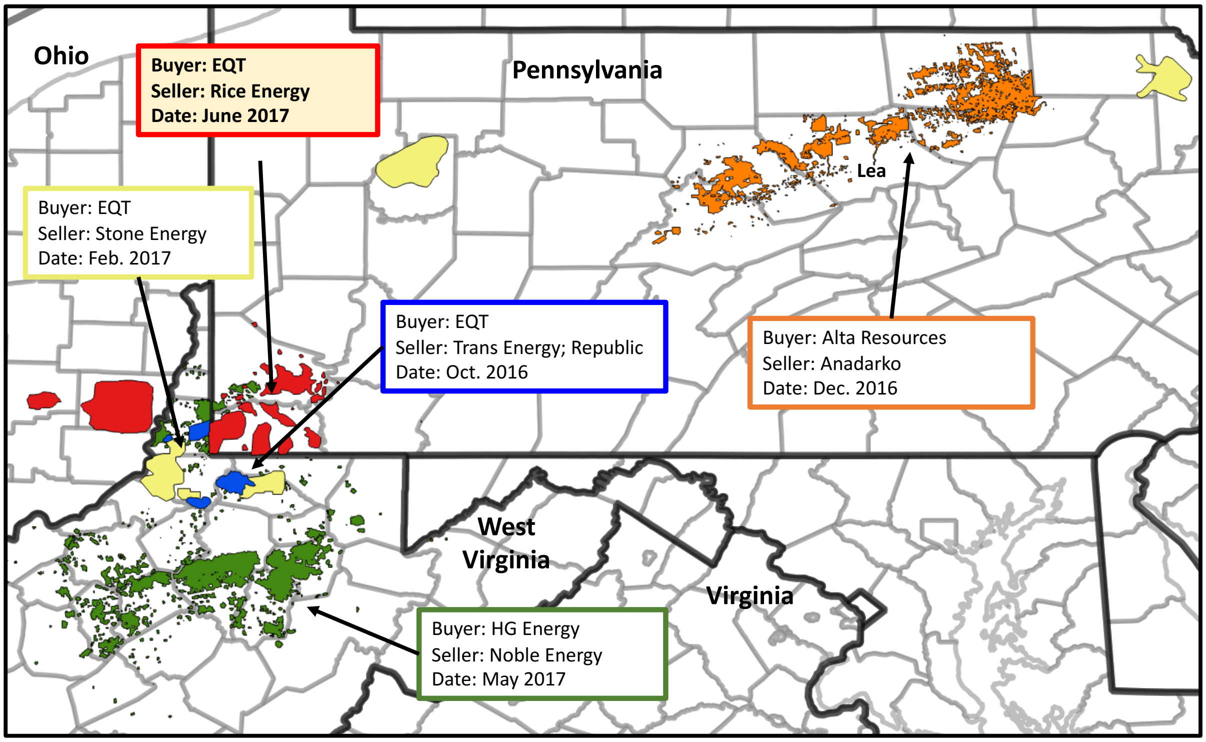
Deal Financing–

- $8.2 B total value of acquisition including equity and debt.
- $5.4 B paid in equity (0.37 shares of EQT for each share of Rice).
- $1.3 B paid in cash ($5.30 per Rice share).
- $1.5 B net debt and preferred equity to be assumed or retired.
- Deal values Rice equity at $27.04/share, or 37% premium to closing price on June 16, 2017.
- Pro-forma, current Rice shareholders will own 35% of combined company.
- Deal should close in 4Q17.

Transaction Analysis–

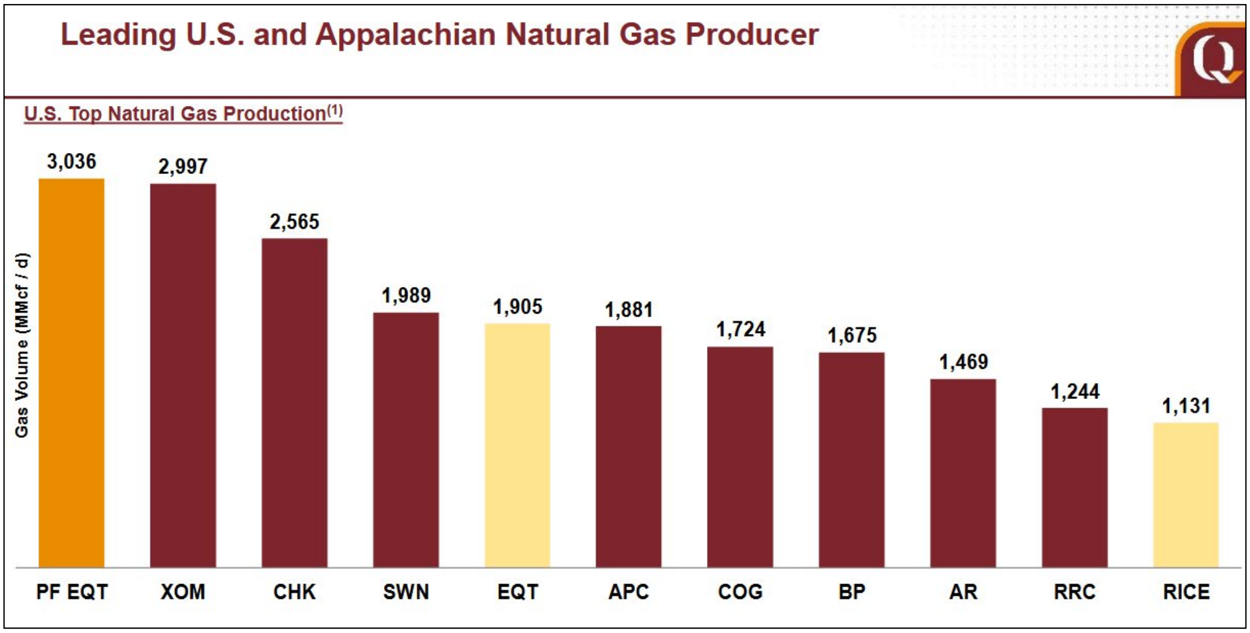
- PLS values PDP component at $3.9 B (~$3,000/daily Mcfe & $1.04/proved Mcfe).
- Midstream assets valued $2.0 B ($1.5 B for Rice Energy's midstream assets or 11.5 x 2018E EBITDA of $130 MM & $520 MM market value of 28% of Rice Midstream Partners LP units).
- Remain

Notable Marcellus Deals Since 2016



Buyer Objectives–

- History: EQT is one of the largest and oldest natural gas producers in Appalachia with roots that stretch back to 1884.
- Scale: Pro-forma, EQT becomes the largest gas producer in the U.S. (3.56 Bcfe/d plus) ahead of **ExxonMobil, Chesapeake** and **Southwestern** based on 4Q16 production while remaining Appalachia pure-play.
- Pre-merger: sitting on 810,000 net Marcellus acres; 13.5 Tcfe proved reserves in Marcellus.
- Pressure: Chapter IV Investors and others were pushing EQT to do something. They did.
- Midstream: EQT's gas gathering systems move to 4th largest in the U.S. Boosts inventory of midstream assets available for dropdowns ($130 MM 2018E EBITDA).
- Drilling: Focus more attention on Greene & Washington Cos., PA.
- Vast majority of acreage is contiguous with existing EQT leasehold and allows increased laterals from 8,000 ft to 12,000 ft.
- EQT drilled ~135 wells in 2016 including 117x Marcellus; 13x Upper Devonian & 4x Utica
- Longer laterals plus sharing technical data and best practices expected to boost well returns from 52% to 70% at $3.00/Mcf NYMEX.
- 1,200 of the undeveloped locations now budgeted at 12,000 ft laterals.
- Longer/Better: EQT can access the same pay with 20-35% fewer wells and see 20% less LOE.
- Maturity: No doubt EQT is now better positioned to execute in its home territory.
- Volumes: EQT (1.9 Bcfe/d for Y/E 2016) now shooting for 3.56 Bcfe/d in 2018
- Synergies: $2.5 B in cost savings; Expected from $1.9 B capital efficiencies & $600 MM G&A).
- Once closed, EQT says deal will initiate "Shale Version II" focused on moderate growth funded below capex and excess cash returned to shareholders via dividends/buybacks. Different model from breakneck growth/high cash flow burn seen so far.



Seller Objectives–

- Rice was formed as an NGP portfolio company with an initial $100 MM commitment in 2011 and went public with an IPO that raised ~$1.0 B in early 2014.
- Three brothers (Dan IV, Toby & Derek Rice) are executives. Rice was founded by their father Dan Rice III, formerly a portfolio manager at asset management powerhouse **BlackRock**.
- Payoff for Rice's Sept. 2016 $2.7 B acquisition of **Vantage Energy**. Vantage's PE sponsors, **Quantum**, **Riverstone & Lime Rock** took $980 MM in Rice equity.
- Prior Vantage deal added 85,000 net acres in Greene Co., PA and ~400 MMcfe/d.
- Some analysts thought this deal came earlier than expected which may signify Rice's management concern for market conditions.
- On the other hand, always bear/bull position in M&A and management are taking majority equity preserving economic exposure to the assets.
- Shareholders should benefit through ownership in a larger organization.
- Deal came at 37% premium to current stock price.
- At $9,000/acre plus management may see full and fair value of the assets from this offer versus waiting for public market to recognize full value (37% premium paid to market value of shares).

Select Gas Deals >$500 MM Since 2016

Date	Buyers	Sellers	Value ($MM)	Area
06/19/17	**EQT**	**Rice Energy**	**$8,200**	**Marcellus**
05/16/16	Range Resources	Memorial Resource Development	$4,400	Cotton Valley
04/13/17	Hilcorp Energy; Carlyle	ConocoPhillips	$2,700	San Juan
09/26/16	**Rice Energy**	**Vantage Energy; Vantage Energy II**	**$2,700**	**Marcellus**
12/21/16	Alta Resources	Anadarko Petroleum	$1,240	Marcellus
05/02/17	HG Energy II	Noble Energy	$1,125	Marcellus
10/31/16	Castleton Commodities	Anadarko Petroleum	$1,000	Haynesville
02/09/16	Terra Energy	WPX Energy	$910	Piceance
06/09/17	Caerus Oil & Gas	Encana	$735	Piceance
05/04/16	Southland Royalty	Anadarko Petroleum	$593	Wyoming
05/02/17	Jonah Energy	Linn Energy	$582	Wyoming
02/15/17	Merit Energy	Occidental Petroleum	$560	Gulf Coast
02/08/17	**EQT**	**Stone Energy**	**$527**	**Marcellus**
10/25/16	**EQT**	**Republic Energy; Trans Energy**	**$513**	**Marcellus**

Market Impact–

- Largest U.S. upstream deal since the oil price downturn and the third largest U.S. upstream deal since 2010 (Freeport/Plains $16.3 B and BHP/Petrohawk $15.1 B). Just ahead of Encana's $7.1 B acquisition of Athlon.
- Rare merger between two public companies.
- Market has been dominated in recent years by public firms buying out private companies (PE backed or family firms).
- Investors including hedge fund manager Barnes Hauptfuhrer have called for consolidation among Marcellus E&Ps to drive efficiencies among scattered acreage and economies of scale.
- EQT CEO Steve Schlotterbeck was on record endorsing consolidation saying the next wave of efficiencies will come from longer laterals, pad drilling and improved logistics.
- Could see further consolidation in the Marcellus with Southwestern (2.0 Bcf/d), Cabot (1.7 Bcf/d), Antero (1.5 Bcf/d) and Range (1.2 Bcf/d) all possible.
- Recent softening in capital markets could also spur additional consolidation in not only gas basins but also Permian where numerous players are in heated competition for acreage and oilfield services.